

(see *Note E*, p. 123); the favourable aspect consisting of the inflow of gold in augmentation of our Eeserve, and thus rendering possible the borrowing of money for purposes of trade at a cheaper rate, in consequence of the Bank, through its re-established Eeserve, being soon placed in a position to reduce its official terms for discounts.

It is obvious that the precisely adequate proportion of the Cash Eeserve to the country's liabilities cannot be mathematically fixed. The average over a term of years appears to be about 43 per cent. Men of business are properly not troubled on large problems with decimal exactitude, and there exists a universal tendency to employ "round" figures. The general teachings of experience afford the only valid guide; and we may apparently regard 50 per cent as a standard which produces full confidence and a sound sense of commercial security.

For completeness of statement it may be noted that the amount of public deposits in the Bank of England diminishes at the beginning of each year in consequence of the payment of the interest upon Consols. Then up to the end of March it gradually increases by the receipt of a large portion of the income tax payments and other taxes. This concentration of funds in the Bank of England, arising from this collection of the national revenue in taxes, reduces obviously the amount of loanable capital which the banks in general possess for advances, and borrowers consequently are required to pay a higher rate of interest for its use. Speculation in Stock Exchange investments thus suffers discouragement, with a resulting tendency to a fall in the values of securities. The "other deposits" regularly increase about the close of June and December, as banks then pay in considerable amounts to the credit of their several accounts with the Bank for the purpose of exhibiting in their balance sheets an adequate proportion of cash in order to strengthen public confidence. And in periods of financial disturbance and alarm, and increasingly so as the area and intensity of that disturbance extend, the amount of "other deposits" receives a substantial accession by reason of the

joint stock banks augmenting their credits with the Bank as a provision for possible contingencies.

The reader who ponders and not simply stores will suEmit